

INSTITUTE AND FACULTY OF ACTUARIES

EXAMINATION

14 September 2018 (am)

CP3 – Communications Practice

Time allowed: Three hours

INSTRUCTIONS TO THE CANDIDATE

1. You have 3 hours to complete the paper.
2. You must write your submission from the beginning and not use an imported e-template.

Your file names must include your ARN and each file should also contain your ARN as a header or footer.

Please note that the content of this paper is confidential and students are not to discuss or reveal the contents under any circumstances nor are they to be used in a further attempt at the exam.

If you encounter any issues during the examination please contact the Examinations Team at online_exams@actuaries.org.uk T. +44 (0) 1865 268 255

This document consists of **5** printed pages and **0** blank pages.

The following letter of complaint has been given to you by the customer relations team in your capacity as New Business Actuary, at ProtectMe. In this role you are responsible for product design and pricing and assisting in answering queries to support customer relations. As the individual has written to complain, you have informed your supervisor, Head of Customer Retention and Business Development. You have been asked to draft a response directly to the individual, which after review will be sent by you. In the reply you have been told not to use any graphs. The Head of Customer Retention has reminded you that as this is a complaint you must show sensitivity to the client and not use words which may further damage the relationship or cause distress.

Dear Sir,

Plan number A987123Z

I am extremely annoyed and upset to find that my first quote for a level term assurance was inaccurate. I used the comparison site GetmelifeQuotes on 1 August 2018 and found that you were the best price available for non-smokers like myself. Price is crucial to me. I am a first time homebuyer who has taken a 20 year term mortgage and my budget is very tight. The quote I received for \$100,000 cover for 20 years was \$7.50 per month. In the end I needed a \$125,000 mortgage so had expected a premium of around \$9 per month which was still within my budget.

I am certain there was no mistake on my part as I double checked the price on the day – 1 August 2018 as I was very pleased with the quote.

However, now having come to you and completed your online application form on 1 September 2018 you now tell me it will cost me \$13.85. That's far more than I had anticipated. And I see on my policy document I am a 'class 1 smoker'. How can this be when I do not use any tobacco products and never have? I only use an e-cigarette as I made clear in my application. None of my family smoke. In fact all my family are in good health and my grandparents equally are still very well and living independently in their 70s.

I have reluctantly accepted the terms because it was a condition of my mortgage and I had to prove I was covered within 5 days of moving in. But I now really insist that you review my premium as I am sure you have made a mistake.

Please explain precisely how you arrived at my premium. Unless we can resolve this I will be taking my custom elsewhere.

Miss Angela Newcomber

10 September 2018

A member of your team have provided the following information to assist you in drafting your response:

Proposal form

Proposer	Miss Angela Newcomber
Date of birth	12 August 1992
Life Assured	Miss Angela Newcomber
Type of Cover	Level term assurance
Level of cover (state initial cover for Decreasing term assurance)	\$125,000
Term of cover:	20 years
Have you ever smoked cigarettes or cigars or been a pipe smoker :	NO
If yes: when did you cease using cigarettes and/or pipes?	Not applicable
Do you currently use smoking alternatives (e-cigarettes, nicotine replacement patches, or other 'quit smoking' aid) :	YES
If yes, supply details:	e-cigarette user up to 10 times daily for the last year.
Height (in metres)	1.60
Weight (in kg)	95

Update to pricing manual applicable 5 August 2018

Level term assurance has been repriced as detailed below:

On 5 August 2018 a reprice of all term assurances was conducted and at most ages below 50 rates increased by on average 10% but the plan fee decreased from \$2.50 to \$2.25. There were no changes to loadings and the reinsurance company approved all aspects of the reprice. Sample rates **per month** before and after reprice for a level term assurance with a term of 20 years are:

<i>Age next birthday</i>	<i>Rate per \$100,000 sum assured – old</i>	<i>Rate per \$100,000 sum assured – post 5 August 2018</i>
25	4.9	5.3
26	5.0	5.4
27	5.1	5.5
28	5.1	5.6
29	5.2	5.6
30	5.2	5.7

Instructions to candidate:

Remember that CP3 is a test of your ability to filter information, and communicate it to a particular audience. Only use information that is contained in this examination paper and the advance material provided. Do not draw on prior knowledge of a particular market, legislation or company.

Question 1

Draft a reply to Miss Newcomber of 700 to 850 words. [90]

Question 2

- (a) Explain how you have given details of the calculation in a manner that the policyholder will understand. [2]
- (b) State which data you decided not to use (from either the advance material or question paper), giving the reason for its omission. [4]
- (c) Explain, using TWO examples, how you have demonstrated sensitivity in handling the policyholder's complaint. [2]
- (d) State which actuarial terms or concepts you have used which might be considered jargon, indicating how you ensured that the policyholder will be able to understand them. [2]

[TOTAL 100]

You can assume that all of the information provided in the advance material and the question paper is correct for the purposes of answering this question.

END OF QUESTION PAPER